

Message Text

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ACTION EB-11

INFO OCT-01 ARA-16 ISO-00 AID-20 CIAE-00 COME-00 FRB-02

INR-10 NSAE-00 RSC-01 TRSE-00 XMB-07 OPIC-12 SP-03

CIEP-02 LAB-06 SIL-01 OMB-01 NSC-07 SS-20 STR-08

CEA-02 TAR-02 INT-08 GSA-02 L-03 H-03 DRC-01 /149 W
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R 150022Z JUN 74

FM AMEMBASSY MEXICO

TO SECSTATE WASHDC 2180

C O N F I D E N T I A L MEXICO 4990

E.O. 11652: GDS

TAGS: EIND, ETRD, MX

SUBJECT: US FERROUS SCRAP EXPORTS- SECOND QUARTER CONTINGENCY
RESERVE ALLOCATIONS AND OTHER SCRAP TRADE INFORMATION

REFS: STATE 126268, MEXICO 4254, MEXICO 1283, MEXICO A-605

1. EMBASSY UNDERSTANDS FROM STATE REFTEL THAT 15,000 ADDITIONAL SHORT TONS FOR SECOND QUARTER ARE TAKEN FROM WORLD-WIDE 100,000 TON ANNUAL CONTINGENCY (I.E. HARDSHIP) FUND AND THAT IT IS ONLY THIS AMOUNT WHICH WILL BE AVAILABLE TO ANY US EXPORTERS, REGARDLESS OF HISTORIC TRADING. EMBASSY ASSUMES ORIGINAL SECOND QUARTER QUOTA FOR MEXICO (165,000 SHORT TONS) IS STILL RESTRICTED TO HISTORIC EXPORTERS. EMBASSY ALSO UNDERSTANDS THAT 15,000 TONS ARE PROMISED FOR SECOND QUARTER ONLY AND STATE/COMMERCE HAS NOT YET DECIDED WHETHER TO MAKE ANOTHER 15,000 TONS AVAILABLE FOR THIRD QUARTER.

2. EMBOFF RECEIVED FOLLOWING INFORMATION FROM MONTERREY CONSULATE LATE YESTERDAY. OKLAHOMAN NAMED NELSON IN OIL DRILLING BUSINESS REPORTEDLY HAS ASKED STATE/COMMERCE TO ALLOW ADDITIONAL 25,000 SHORT TONS TO MEXICO FOR THIRD QUARTER FROM CONTINGENCY ALLOTMENT. STORY GOES THAT
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NELSON DESPERATELY NEEDS PIPE. HE THEREFORE MADE AGREE-

MENT WITH MEXICAN FIRM TUBOS DE ACERO DE MEXICO, S.A. (TAMSA) THAT IT ROLL PIPE FOR HIM IF HE ARRANGES SUPPLY OF STEEL MATERIAL. IT IS CLAIMED NELSON THEN ARRANGED FOR SOME SMALL MILLS AROUND MONTERREY TO PROVIDE THE STEEL FOR PIPE IF HE COULD PROVIDE MILLS WITH NEEDED INGREDIENT OF SCRAP FROM U.S. NELSON REPORTEDLY HAS JUST RECEIVED THIRD QUARTER AUTHORIZATION FOR 25,000 SHORT TONS FROM U.S. OUT OF CONTINGENCY ALLOTMENT SUPPOSEDLY TO BE DIRECTED EXCLUSIVELY TO PRE-ARRANGED MONTERREY MILLS. EMBOFF WONDERS IF ACTUAL TRUTH IS THAT NELSON ONLY RECEIVED IMPORT PERMIT FROM GOM CONTROL COMMITTEE TO DISTRIBUTE STEEL TO MILLS, SINCE USG WOULD NOT NORMALLY HAVE UNILATERAL AUTHORITY TO DESIGNATE MEXICAN END-USER. IT WAS ALSO NOT MENTIONED WHETHER THE 25,000 TONS CAN BE EXPORTED FROM U.S. BY NEW AS WELL AS HISTORIC U.S. EXPORTERS.

3. EMBASSY REQUESTS VERIFICATION OF AUTHORIZATION DISCUSSED IN PARA 2

CLARIFICATION IS ALSO REQUESTED AS TO WHETHER ABOVE-MENTIONED 25,000 TONS ARE CONSIDERED SEPARATE AND DISTINCT FROM 15,000 TONS OF SECOND QUARTER, AS WELL AS FROM POSSIBLE ADDITIONAL 15,000 TON ALLOTMENT FOR THIRD QUARTER. IF 25,000 TONS ARE ADDED TO 15,000 TONS IN THE THIRD QUARTER, ALLOTMENT WILL BE INCREASED TO TOTAL OF 40,000 SHORT TONS FOR THAT QUARTER. THIS STRIKES EMBOFF AS DISPROPORTIONATELY HIGH INCREASE.

4. BEGIN CONFIDENTIAL. SCRAP SHORTAGE IS ALSO CREATING OTHER SCUTTLEBUTT. EFFORTS BY GOM TREASURY MINISTRY TO STOP SCRAP HOARDING BY GOVERNMENT INDUSTRIES AND TO DECLARE IT A STRATEGIC MATERIAL (REPORTED MEXICO REFTELS) ARE NOW RUMORED TO BE MEETING RESISTANCE WITHIN ANOTHER MINISTRY. NO DEFINITE INFORMATION YET AVAILABLE. EMBOFF HAS ALSO HEARD FROM MEXICAN STEEL INDUSTRY MEN THAT SOME U.S. HISTORIC EXPORTERS HAVE BEEN TAKING ADVANTAGE OF THEIR POSITION, BUYING UP AND STORING, OFTEN ON THE BORDER, ALL AVAILABLE SCRAP WHILE AWAITING THEIR U.S. QUARTERLY QUOTA AUTHORIZATIONS TO EXPORT. END CONFIDENTIAL.

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5. EMBASSY HEREIN REPORTS FOLLOW-UP TO MEXICO REPAIR. THE FIVE CUBAN SHIPS MEXICO CONSIDERED PURCHASING LAST FALL WERE BOUGHT IN APRIL 1974 BY GRUPO IDOLO. GRUPO IDOLO IS A MEXICAN GROUP OF COMPANIES INCLUDING SIDERURGICA NACIONAL, TERROCARRILES NACIONALES, AND DIESEL NACIONAL (DINA)--ALL HEADED BY EMILIO KREIGER VASQUEZ AND LOCATED IN COMPLEJO INDUSTRIAL DE CIUDAD

SAHAGUN. ALL THREE ARE CONSIDERED GOM GOVERNMENT INDUSTRIES, WHICH NOW SEEM TO BE ACQUIRING SCRAP THROUGH TRADE WITH CUBA. THE FIVE OLD STEAMERS MAY YIELD ROUGHLY 3,000 METRIC TONS APIECE, TOTALING IN NEIGHBORHOOD OF 15,000 MTS.

6. EMBOFF REQUESTS THAT INFORMATION THIS MESSAGE BE TREATED AS LIMITED OFFICIAL USE, EXCEPT FOR CONFIDENTIAL MATERIAL OF PARA 4. CONTENTS OF THIS MESSAGE ARE MAINLY DIRECTED TOWARD FORMULATION OF THIRD QUARTER QUOTA AND ARE NOT INTENDED TO AFFECT DELIVERY OF MESSAGE REPORTED REFTEL STATE 126268, PARA 8.
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: FERROUS SCRAP, EXPORT DATA, EXPORTERS, TRADE DATA, EXPORT QUOTAS
Control Number: n/a
Copy: SINGLE
Draft Date: 15 JUN 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: izenbei0
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974MEXICO04990
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D740155-1018
From: MEXICO
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19740641/aaaabjhs.tel
Line Count: 128
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EB
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: STATE 126268, MEXICO 4254, MEXICO 12, 83, MEXICO A-605
Review Action: RELEASED, APPROVED
Review Authority: izenbei0
Review Comment: n/a
Review Content Flags:
Review Date: 18 SEP 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <18 SEP 2002 by rowelle0>; APPROVED <14 FEB 2003 by izenbei0>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: US FERROUS SCRAP EXPORTS- SECOND QUARTER CONTINGENCY RESERVE ALLOCATIONS AND OTHER SCRAP TRADE INFORMATION
TAGS: EIND, ETRD, MX
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005